

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

DFA5028 – FINANCIAL ACCOUNTING 2

(For Diploma Students Only)

30 MAY 2016

2.30 PM – 5.30 PM

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 5 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1**Part A**

Crystal Lighting Centre sells quality lightings and extends credit terms of 2/10, n/30 to all of its customers. During the month of October 2015, the following transactions occurred.

- Oct 1 Purchased 20 decorative lights on account for RM 200 each from Nova Lighting House, FOB destination, terms 1/10, n/45. The appropriate party also made a cash payment of RM 50 for the freight on this date.
- 3 Sold 10 decorative lights to AMD Gallery for RM 300 each, FOB destination. The appropriate party also made a cash payment of RM 45 for the freight on this date.
- 6 Received credit for 2 decorative lights returned to Nova Lighting House.
- 9 Paid Nova Lighting House in full.
- 12 Granted AMD Gallery RM 600 credit for returned lightings costing RM 400.
- 15 Received payment in full from AMD Gallery.
- 18 Purchased 10 chandeliers on account for RM 500 each from Sun Shine Limited, FOB shipping point, terms 2/10, n/60. The appropriate party also made a cash payment of RM 60 for the freight on this date.
- 25 Paid Sun Shine Limited in full.
- 26 Sold 5 chandeliers on account to Roman Lighting for RM 750 each.
- 28 Granted an allowance to Roman Lighting for slightly damaged chandeliers RM200.
- 30 Received payment from Roman Lighting in full.

Instruction:

Journalize the above transactions for Crystal Lighting Centre using a perpetual inventory system. You may omit explanations.

(18 Marks)

Part B

Distinguish between FOB shipping point and FOB destination. Identify the freight terms that will result in a debit to Inventory by the purchaser and a debit to Freight-out by the seller.
(2 Marks)

[TOTAL 20 MARKS]

QUESTION 2

Dhea Ameera did not kept adequate accounting records for her apparel business. However, the following information has been obtained from her personal records:

	1 April 2014 (RM)	31 March 2015 (RM)
Inventory	8,600	16,800
Accounts receivable for sales	3,900	4,300
Accounts payable for purchases	7,400	8,900
Rent Prepaid	300	420
Electricity accrued due	210	160
Balance at bank	2,300	1,650
Cash in hand	360	330

- (1) All sales have been banked after deducting the following payments :

Cash drawings	?
Casual labour	1,200
Purchase of goods for resale	1,800

- (2) Bank payments during the year ended 31 March 2015 :-

Purchases	RM 101,500
Rent	5,040
Electricity	1,390
Delivery costs to customers	3,000
Casual labour	6,620

- (3) A gross profit of 33 $\frac{1}{3}$ % on cost has been obtained on all goods sold.
- (4) Dhea Ameera has taken out of the business during the year under review dress and blouses for her own use costing RM 600.

Instructions:

- (a) Prepare Statement of Affairs as at 1 April 2014. (2 Marks)
- (b) Prepare a computation of total sales for the year ending 31 March 2015. (3 Marks)
- (c) Prepare the following T-accounts:
- i. Debtors Control Account (1 Mark)
 - ii. Creditors Control Account (1.5 Marks)
 - iii. Bank Account (2 Marks)
 - iv. Cash Account (2 Marks)
 - v. Rent Expense Account (1 Mark)
 - vi. Electricity Expense Account (1 Mark)
- (d) Prepare Statement of Comprehensive Income for the year ending 31 March 2015. (5.5 Marks)
- (e) Prepare Statement of Financial Position as at 31 March 2015. (6 Marks)

[TOTAL 25 MARKS]

QUESTION 3**Part A**

The following are selected transactions relate to All Starzs Corporation for the year 2015.

- March 1 Sold RM20,000 of merchandise to Ruby Company, terms 2/15, n/30.
- 11 Received payment in full from Ruby Company for balance due on existing accounts receivable
 - 12 Accepted Chico Company's RM20,000, 6 month, 12% note for balance due.
 - 13 Made credit card sales totaling RM6,700. A 2% service fee is charged by the bank.
- April 11 Sold accounts receivable of RM8,000 to R.Z Factor. R.Z Factor assesses a service charge of 2% of the amount of receivables sold.

- May 1 Loaned out RM30,000 to Clifford Company and received a 9 month, 10% note.
- 10 Wrote off as uncollectible RM16,000 of accounts receivables. All Starz Corporation uses the percentage-of-sales basis to estimate bad debts
- 30 Accrued interest on Clifford notes.
- June 30 Credit sales recorded during the first 6 months total RM2,000,000. The bad debt percentage is 1% of credit sales. As at 30 June 2015, the balance in the allowance account is RM3,500 before adjustment.
- July 16 One of the accounts receivable written off in May was from C.Bella, who pays the amount due, RM4,000 in full.
- Sept 30 Chico Company informed that they unable to honor their promissory note but promise to pay in December.
- Dec 18 All Starzs Corporation received a cheque from Chico Company to settle the amount owed.
- Dec 22 Bank informed that Chico Cheque's was being returned due to NSF and the company had declared bankrupt.

Instruction:

Journalize the above transactions. You may omit explanations.

(17 Marks)

Part B

There are three types of receivables – accounts receivable, notes receivable and other receivables. Briefly explain 3 advantages of notes receivable as compared to accounts receivable and other receivables.

(3 Marks)

[TOTAL 20 MARKS]

QUESTION 4**Part A**

Jatimas Enterprise sold the following two machines in 2014:

	<u>Machine A</u>	<u>Machine B</u>
Cost	RM76,000	RM80,000
Purchase date	1 July 2010	1 Jan 2011
Useful life	8 years	5 years
Salvage value	RM4,000	RM4,000
Depreciation method	Straight-line	Double-declining-balance
Date sold	1 July 2014	1 Aug 2014
Sales price	RM35,000	RM16,000

Instructions:

- Journalize all entries required to update depreciation and record the sales of the two assets in 2014. The company has recorded depreciation on the machines through 31 December 2013. (6 Marks)
- Shows the calculation of accumulated depreciation for both machines until the disposal date. (4 Marks)

Part B

During the current year, Koko Minda Corporation incurred several expenditures. Briefly explain whether the expenditures listed below should be recorded as an operating expense or as an intangible asset.

If your answer for the expenditure is an intangible asset, indicate the number of years over which the asset should be amortized. Explain your answer.

- Spent RM55,000 in legal costs in a patent defense suit. The patent was unsuccessfully defended.
- Purchased a trademark from another company. The trademark can be renewed indefinitely. Koko Minda Corporation expects the trademark to contribute to revenue indefinitely.
- Koko Minda Corporation acquires a patent for RM4,000,000. The company selling the patent has spent RM2,000,000 on the research and development of it. The patent has a remaining life of 15 years.
- Koko Minda Corporation is spending considerable time and money in developing a different patent for another product. So far RM5,000,000 has been spent this year on research and development. Koko Minda Corporation is very confident they will obtain this patent in the next few years.
- Koko Minda Corporation purchased a franchise from another company for RM800,000 on January 1, 2014. The franchise is for an indefinite time period and gives Koko Minda Corporation the exclusive rights to its product in a particular territory. (5 Marks)

[TOTAL 15 MARKS]

QUESTION 5**Part A**

The financial statements of Lam Soon Corporation appear below:

LAM SOON CORPORATION
Comparative Statement of Financial Position
31 December

	<u>2015</u>	<u>2014</u>
	(RM)	(RM)
<u>Assets</u>		
Cash	36,000	23,000
Accounts receivable	25,000	34,000
Merchandise inventory	32,000	15,000
Property, plant, and equipment	50,000	78,000
Accumulated depreciation	<u>(21,000)</u>	<u>(24,000)</u>
Total	<u>122,000</u>	<u>126,000</u>
<u>Liabilities and Stockholders' Equity</u>		
Accounts payable	18,000	23,000
Income taxes payable	9,000	8,000
Bonds payable	8,000	33,000
Common stock	28,000	24,000
Retained earnings	<u>59,000</u>	<u>38,000</u>
Total	<u>122,000</u>	<u>126,000</u>

LAM SOON CORPORATION
Statement of Comprehensive Income
For the Year Ended 31 December 2015

	(RM)
Sales	400,000
Cost of goods sold	<u>270,000</u>
Gross profit	130,000
Operating expenses	<u>45,000</u>
Income from operations	85,000
Interest expense	<u>5,000</u>
Income before income taxes	80,000
Income tax expense	<u>24,000</u>
Net income	<u>56,000</u>

The following additional data were provided:

1. Dividends declared and paid were RM35,000.
2. During the year, equipment was sold for RM17,000 cash. This equipment cost RM28,000 originally and had a book value of RM17,000 at the time of sale.
3. All depreciation expense is in the operating expenses.
4. All sales and purchases are on account.
5. Accounts payable pertain to merchandise suppliers.
6. All operating expenses except for depreciation were paid in cash.

Continued.....

Instructions:

- (a) Prepare a statement of cash flows for Lam Soon Corporation using the direct method. (8 Marks)
- (b) Show the workings for:
- i. Cash payment to supplier (2 Marks)
 - ii. Cash payments for operating expenses (2 Marks)

Part B

Distinguish among the **THREE (3)** types of activities reported in the statement of cash flows.

(6 Marks)

Part C

What are the **TWO (2)** main characteristics of natural resources?

(2 Marks)

[TOTAL 20 MARKS]

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